

**REPORT OF THE
STATE COUNCIL OF HIGHER EDUCATION
FOR VIRGINIA AND STATE BOARD
FOR COMMUNITY COLLEGES**

**VIRGINIA COMMUNITY
COLLEGE SYSTEM
FUNDING AND FOCUS**

**TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA**



HOUSE DOCUMENT NO. 76

**COMMONWEALTH OF VIRGINIA
RICHMOND
1997**



COMMONWEALTH of VIRGINIA

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February 14, 1997

The Honorable George Allen
Governor of Virginia, and
The General Assembly of Virginia
Richmond, Virginia 23219

Dear Governor Allen and Members of the General Assembly:

House Joint Resolution 119 (1196), sponsored by Delegate Alan A. Diamonstein and Senate Joint Resolution 43 (1996), sponsored by Senator John H. Chichester requested the State Council of Higher Education for Virginia and the State Board for Community Colleges to examine ways to strengthen and focus finding for the Virginia Community College System. The Council and the Board were asked to consider the unique missions, student populations, and programs offered by the community colleges. The Council of Higher Education approved the enclosed report at its February 1997 meeting.

I am pleased to transmit this report to you.

Sincerely,

A handwritten signature in black ink, appearing to read "Gordon K. Davies".

Gordon K. Davies

GKD/spp
Enclosure

c: The Honorable Alan A. Diamonstein
The Honorable John H. Chichester
The Honorable Beverly H. Sgro

PREFACE

House Joint Resolution 119 (1996), sponsored by Delegate Alan A. Diamonstein and Senate Joint Resolution 43 (1996), sponsored by Senator John H. Chichester, both were the result of recommendations from the Commission on the Future of Higher Education. The Commission was created by Senate Joint Resolution 139 (1994), sponsored by Senator John H. Chichester. The Commission reviewed higher education in the Commonwealth and presented recommendations on its future course and direction.

House Joint Resolution 119 and Senate Joint Resolution 43 were identical and directed the State Council of Higher Education for Virginia and the State Board for Community Colleges to examine ways to strengthen and focus funding for the Virginia Community System. The Council and the Board were asked to consider the unique mission, student populations, and programs offered by the community colleges.

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EXECUTIVE SUMMARY

House Joint Resolution 119 (1196), sponsored by Delegate Alan A. Diamonstein and Senate Joint Resolution 43 (1196), sponsored by Senator John H. Chichester requested the State Council of Higher Education for Virginia and the State Board for Community Colleges to examine ways to strengthen and focus funding for the Virginia Community College System. The Council and the Board were asked to consider the unique mission, student populations, and programs offered by the community colleges.

The major recommendations of the study, include the following:

- As a first priority, the 1997 General Assembly provide additional funding of \$3.0 million to increase community college faculty salaries by 5 percent in 1997-98, and \$1.9 million for the 1997-98 salaries and benefits of a base staff adjustment requested by the Community College System and recommended by the Council of Higher Education.
- The General Assembly continue to improve state support for community colleges to fulfill the intent expressed in the Appropriation Act “that funding for Virginia’s public colleges and universities shall be based primarily on criteria such as staffing comparisons to similar institutions nationally; student financial aid that meets 50 percent of student need after all other sources of aid have been considered; and such other criteria as may be recommended by the State Council of Higher Education.” Needed improvements include competitive faculty salaries, technological equipment and related operating expenses, keeping tuition affordable, a higher proportion of full-time faculty, and maintenance reserve funding for worn out roofs and mechanical systems.

Both the State Board and the Council recognize that the state’s ability to provide additional general fund support is finite and that needs will have to be placed in priority order. Both bodies are prepared to do this in their future budget requests and recommendations.

- The State Board for Community Colleges be appropriated an additional \$100,000 to develop appropriate system-wide contracts, including the privatization of some college services.
- The General Assembly’s first funding priority for community colleges should be to improve state support for credit instruction. That being accomplished however, the General Assembly could then support the VCCS in its initiative to expand its workforce training services and should ask the state’s economic development leaders for their advice on how this would help Virginia compete. Assuming a positive response, a good initial step would be to appropriate \$500,000 to the Virginia Economic Development Partnership for a pilot program of state support for non-credit workforce training courses under industry contracts. This state support would be available to help existing businesses that are not necessarily new or expanding to obtain education, training and retraining services.
- No change be made to the current policy that no state support is provided for students in non-credit avocational or recreational courses.

VIRGINIA COMMUNITY COLLEGES: FUNDING AND FOCUS

Response to Senate Joint Resolution 43 and House Joint Resolution 119

The Commission on the Future of Higher Education had this to say about Virginia's community colleges:

We are troubled by the apparent incongruity between the roles played by Virginia's community colleges and the ways in which they are funded. We recognize that enrollment-driven guidelines have not been used in Virginia for almost a decade, but it still remains true that institutions are funded roughly according to how many students they enroll. Indeed, it is difficult for us to imagine a funding procedure in which this was not at least in part true.

But community colleges are not just "cut-down" universities. Their mission and the students they serve are often quite different from four-year colleges and universities. The community colleges often serve as the community platform from which education and training services from a variety of providers can be made available. In addition, the VCCS increasingly provides non-credit, contracted instruction to business and industry, providing services to almost as many students in non-credit courses as they do in credit. Community college non-traditional students come and go, and return again, based on individual needs and changes in workplace demands for knowledge-based performance. They frequently do not earn degrees; in fact, they often enroll with no intention whatsoever of earning degrees but instead have a specific job-related goal in mind.

We [the Commission] recommend that the General Assembly direct the Council of Higher Education, working with the Virginia Community College System, to develop and propose a new way of strengthening and focusing the funding for community colleges. Perhaps the Council can devise a funding method that recognizes and appropriately supports four distinct groups of community college students:

- Those enrolled to earn an academic degree, whether they intend to transfer to a senior institution or not;
- Those enrolled to achieve a specific educational objective short of an academic degree and perhaps no more extensive than a single [degree credit] course;
- Those enrolled for specific training under contract with Virginia industries in which the state has an economic development interest; and

- Those enrolled for avocational or recreational purposes.

The community colleges are a critical and often-overlooked part of Virginia's economic development team. The health of existing Virginia industries often depends upon the continuous training of workers, and the attractiveness of Virginia to firms considering new sites often depends upon the availability of a skilled workforce. . . . From what we [the Commission] have seen, we question whether the community colleges have adequate resources or support to fulfill their responsibilities as part of the economic development team.

Because of the Commission's concerns, the 1996 General Assembly directed, as follows in Senate Joint Resolution 43 and House Joint Resolution (Appendix A), "that the State Council of Higher Education for Virginia and the State Board for Community Colleges be requested to examine ways to strengthen and focus funding for the Virginia Community College System. The Council and the Board shall consider the unique missions, student populations, and programs offered by the community colleges." The resolutions requesting the study were patroned by Senator John H. Chichester and Delegate Alan A. Diamonstein, Chairman and Vice-Chairman, respectively, of the Commission on the Future of Higher Education in Virginia.

Funding Methods

The study resolution itself did not include the Commission of the Future's suggestion "to develop a new way of strengthening and focusing the funding for community colleges."

The Council of Higher Education's 1996-98 budget recommendations did, however, recommend some new directions in funding methods, and reaffirmed other methods and objectives from prior practice. The major new funding method was to "benchmark" each of Virginia's public institutions against similar institutions in other states to develop staffing recommendations. The General Assembly formally endorsed in concept the Council's recommendations by including the following higher education funding policy in the Appropriation Act:

It is the objective of the General Assembly that funding for Virginia's public colleges and universities shall be based primarily on criteria such as staffing comparisons to similar institutions nationally; student financial aid that meets 50 percent of student need after all other sources of aid have been considered; and such other criteria as may be recommended by the State Council of Higher Education. It is also the objective of the General Assembly that Virginia establish a tuition and fee policy whereby Virginia undergraduate students pay not more than one-third of the cost of their education in senior institutions and one-fourth of such cost in the community colleges.

These policies are applied to develop state funding for students enrolled in credit courses and are based on the mission of each particular college or university, the programs it offers, and how

many students it enrolls. It is the Council's judgment that these methods for funding remedial, certificate, diploma and degree-credit courses are sound, and it has no further changes to recommend at this time.

Mission

One of the major functions of the Joint Legislative Audit and Review Commission (JLARC) is to review agencies' and institutions' missions for consistency with legislative intent, and to evaluate performance of those missions. In 1991, JLARC, which is a commission of legislative leaders, had this to say about the mission of Virginia's community colleges:

Through the years, the State Board for Community Colleges has expanded the mission of the Virginia Community College System (VCCS) beyond the original definition in its 1966 enabling legislation. The expansion appears to have been consistent with nationwide themes of community college mission and with legislative intent not explicit in the *Code of Virginia*. In addition, the State Board's actions provided the system with a clear statement of mission that appears to have been appropriate for the needs of the individual community colleges. . . .

The community colleges are meeting their expanded roles with a comprehensive set of programs and services. The VCCS offers comprehensive programs and services in the five areas of its current mission statement: transfer education, occupational technical education, developmental education, continuing education, and community service. In addition, the colleges are active in adult literacy, Adult Basic Education (ABE), and General Educational Development (GED) programs and prison education efforts. . . .

In pursuit of its mission, the VCCS has managed its resources efficiently. Today, however, there are growing indications of strain on the system, as staff and facility resources are stretched due to record enrollments. As a result, system administrators are becoming concerned about the continued quality of education in the system. . .

In the future, community colleges will face even more challenges. Enrollments are projected to continue increasing. The community colleges will be expected to play a greater role in college transfer and in training Virginia's workforce. If current trends in enrollments and resources continue [community college enrollment did increase from 69,500 full-time equivalent students (FTE) in 1989-90 to 76,300 FTE in 1992-93 but has since declined to about 72,000 FTE], better resource management alone may not enable the system to meet its challenges. Rather than trying to meet every need, the system will have to direct resources toward meeting its highest priority needs first, maintaining a high level of quality and access in those areas. To accomplish this the State Board will have to prioritize the program areas of the system's current mission.

State Support

State general fund support is provided for some, but not all, of the programs and services provided by the community colleges. State general fund support is provided for credit courses. Students enrolled in credit courses benefit from state general fund support by paying a lower tuition than if state support was not provided. The state does not provide any general fund support directly to the community colleges for any non-credit work. The policy has been in place since the system was established in 1966.

Chart 1 shows the various types of students and whether or not state support is provided for each.

CHART 1 State Funding Policies		
Type of Student	State Support Provided	
	Yes	No
1. Enrolled in remedial classes	●	
2. Enrolled in credit courses to earn an academic award	●	
3. Enrolled in credit courses, but not seeking an academic award	●	
4. Enrolled in non-credit training courses under industry contract		●
5. Enrolled in non-credit avocational or recreational courses		●

Adequacy of State Support

The adequacy of state support for students enrolled in credit courses has been of increasing concern.

The 1996 General Assembly, for the first time in three biennia, appropriated significant additional state support for the community colleges. This additional state support addressed many pressing financial needs of the colleges: faculty and staff salary increases, technology, additional faculty and staff, and maintenance of buildings. The additional state support also made attending a community college more affordable by providing sufficient state funding to allow a tuition freeze for two years.

By any measure, the community colleges were underfunded. Historically, "real-dollar" state appropriations and total spending per student in credit courses had decreased since 1974, while tuition had almost doubled. This is shown in Chart 2.

CHART 2 Real-dollar Appropriations Per Community College Student *						
Source of Funds	1974		1996		1998 (Estimated)	
	Actual-Dollar	Real-Dollar	Actual-Dollar	Real-Dollar	Actual-Dollar	Real-Dollar
State General Fund	\$1,057	\$1,057	\$2,556	\$ 771	\$2,916	\$ 839
Tuition and Fee	225	225	1,429	431	1,429	411
Other Revenues	52	52	303	92	367	106
Total Expenditures	\$1,334	\$1,334	\$4,288	\$1,294	\$4,712	\$1,356

(a) Real-dollar per student (FTE) shows 1974, 1996 & 1998 costs in 1974 dollars.

From 1974 to 1996, "real-dollar" total spending per student decreased by about 3 percent, with a shift in the proportions paid by the state and student, respectively. State support decreased by 27 percent in inflation-adjusted "real-dollar" terms, while tuition and fees increased by 91 percent. What is noteworthy in these changes is not the percentages themselves, but the fact that state support actually decreased, while student tuition and fees increased. State support did not keep pace with the growth of the system. To consider these trends in context, however, it is important to note that over the same period the per-capita income of Virginians improved markedly. Virginians are more able to afford higher tuition than they were in 1974. The fact that inflation-adjusted, or "real-dollar," spending per student at the community colleges will be virtually the same in 1997-98 as it was in 1973-74 is unique among Virginia institutions and perhaps nationally. Virtually every other college and university has increased spending at a rate faster than inflation.

Funding for Virginia's community colleges also has not compared favorably with that in other southeastern states. In 1995-96, only Kentucky and Louisiana received less state support per student, and only Maryland charged students more to attend community colleges. Virginia ranked 11th out of 15 states in total spending per student from the two combined sources of state support and tuition and fees. Two-thirds of the southeastern states spent more to educate community college students than did Virginia.

CHART 3 Community College Funding in the Southeastern States, 1995-96						
State	State & Local Support Per Student		Median Tuition and Fees		Total State & Local Support & Tuition & Fees	
	Rank	Amount	Rank	Amount	Rank	Amount
North Carolina	1	\$4,652	1	\$ 557	2	\$5,209
Mississippi	2	4,210	4	970	3	5,180
Arkansas	3	4,025	3	897	4	4,922
Maryland	4	3,867	15	1,886	1	5,753
Georgia	5	3,725	10	1,128	5	4,853
Texas	6	3,439	2	715	9	4,154
South Carolina	7	3,397	5	1,000	6	4,397
Tennessee	8	3,340	7	1,030	7	4,370
Oklahoma	9	3,186	11	1,135	8	4,321
Florida	10	2,752	9	1,073	12	3,825
West Virginia	11	2,734	13	1,301	10	4,035
Alabama	12	2,530	12	1,260	13	3,790
Virginia	13	2,485	14	1,429	11	3,914
Kentucky	14	2,319	5	980	15	3,299
Louisiana	15	2,252	8	1,060	14	3,312
Region Avg.	--	3,293	--	1,000	--	4,293

Source: Southern Regional Education Board

Factors contributing to the low rankings were inadequate staffing, low faculty salaries relative to other states, and low nonpersonal service expenditures, including those for technology and other equipment. It also was due to the states' differing policies regarding funding for non-credit courses.

In 1995, the State Board for Community Colleges and the State Council of Higher Education recognized these funding inadequacies in their respective budget requests and recommendations. The Governor and General Assembly responded by increasing community colleges' state support by \$41.3 million for 1996-98. The Council recently recommended an additional \$4.9 million to provide salaries and benefits for unfunded positions and to further improve faculty salaries in 1997-98.

These additional appropriations, coupled with stable and perhaps declining enrollment in the community college system, will undoubtedly improve the quality of programs and may move Virginia's community colleges up in the rankings among states. But significant improvement in the rankings is not a realistic expectation. Other states that compete with Virginia for economic development, such as Georgia and North Carolina, will also increase funding for their community colleges.

Strengthen Funding

The additional \$41.3 million in state support appropriated by the 1996 General Assembly was badly needed and a welcome change in funding direction. The community college's own restructuring initiatives are focusing available funding in a better way. But these efforts will not be enough. Unless further funding improvements are made, state support for the credit courses that are the aspects of the community college mission that the state currently supports will remain inadequate. Recommended actions to further strengthen funding are summarized in Chart 4.

The objectives of the state with regard to community college funding should be to:

- Provide sufficient faculty, staff and other resources to provide excellent instruction and support services to students.
- Provide sufficient funding to enable the community colleges to serve as a central aspect of a statewide technology-based distance education network.
- Keep community college tuition low so that they can serve as the fundamental point of higher education access for the entire Commonwealth.
- Address the aging of community college facilities by providing adequate maintenance and renovation funds.

As first priorities, the 1997 General Assembly should increase faculty salaries and provide salaries and benefits for unfunded positions.

As is the case at all of Virginia's public institutions, community college faculty salaries have lost competitive ground in the 1990s. If the 2 percent increase appropriated for 1997-98 is not increased, further erosion will occur. The Council recommends a 5 percent increase in 1997-98 for community college faculty as the second year of a four-year phasing back to the 60th percentile of the community colleges' peer group of institutions in other states.

With regard to positions, the community colleges requested \$1.9 million for the salaries and benefits of a base staff adjustment recommended by the Council of Higher Education for the 1996-98 biennium. The General Assembly appropriated funds in 1996-97 to pay the salaries and fringe benefits for positions added as a base staffing adjustment. The General Assembly authorized the positions for 1997-98, but did not provide funds for their salaries and benefits.

After these three immediate needs are addressed, other funding improvements should be made, as shown in Chart 4.

The phased approach to returning faculty salaries to the 60th percentile should be continued and completed in the next biennium.

The 1996-98 Appropriation Act provides the first two years of a four-year plan to improve the availability and use of technology for instruction, research, and administration. Part of the funding will be used to improve computer networks across the Commonwealth so that electronic resources of every institution are available to students and faculty of every other institution. Virginia's public colleges and universities will procure access to high-capacity communications lines that link campuses into a virtual university. These communication lines will provide audio, video, and digital information services supporting distance learning, research, and cooperative partnerships that result in economies of scale. The 23 community colleges are a major and essential part of what will be achieved and continued funding for the second two years (1998-2000) of the phased implementation is essential.

About one-half of the instruction in Virginia community colleges is provided by part-time faculty. The extensive use of part-time faculty is a national pattern, and these individuals are a valued resource for colleges. But over-reliance on instructors whose full-time pursuit is not the education of students can be detrimental. The quality of instruction would be enhanced if a higher proportion of community college faculty were full-time. A good objective would be to improve the proportion to regional and national norms of between 55 and 60 percent.

More than 67 percent of the community colleges' buildings were constructed about two decades ago. Most major building systems, such as roofs, generally have an expected life of no more than 20 years. The colleges have identified those roofs showing serious signs of deterioration and failure. Funding is needed to replace and repair them before deterioration progresses to other parts of the buildings. Also essential is the replacement of mechanical equipment and controls to provide heating, ventilation, and air-conditioning. The condition of these old systems has now reached a critical state. In many instances, replacement parts are no longer available, making it increasingly difficult to keep the systems operational. Replacement is needed to provide reasonable standards of health and comfort at these facilities. This is an annual need into the future given the nearly 300 community college buildings and the age of most of those buildings. It should be noted that senior colleges and universities have similar needs for the major building repairs that are funded by maintenance-reserve appropriations.

Virginia community college students will pay about 31 percent of the cost of their instruction in 1997-98. Historically, this percentage did not exceed 25 percent. As shown previously, among all of the southeastern states, only Maryland charges students more than does Virginia. The two-year tuition "freeze" is a good start in replacing high tuition charges with state support, thereby making the first two years of college more affordable and accessible. This "freeze" could be continued until student tuition and fees again equal 25 percent of total cost. To do this, the state general fund will have to provide all additional funding to strengthen and improve the community colleges.

The estimated annual additional cost to accomplish each of these funding improvements is shown in Chart 4.

CHART 4 Estimated Annual Additional Costs to Strengthen Funding		
	Annual Additional Cost (In Millions)	
	1997-98	Next Steps
1. Second Yr. of Four Yr. Phased Return of Salaries to 60th Percentile	\$ 3.0	\$
2. Salaries and Benefits for Unfunded Positions	1.9	
3. Each Additional Yr. of Phased Return of Salaries to 60th Percentile		10.0
4. Each Additional Year of Implementing Technology Plan:		
Operating Costs		5.0
Equipment Lease Payments		0.8 ^a
5. Improve full-Time Faculty Proportion to 56 percent ^b		6.5
6. Maintenance Reserve - Roof and Mechanical Systems		6.8
7. Return to Tuition Policy of 25 percent of Total Cost	—	— ^c
Totals	\$ 4.9	\$29.1

(a) To purchase about \$6.4 million worth of equipment each year.
 (b) Estimated national average.
 (c) To the extent appropriations for items 1-6 come solely from the general fund, the percentage of total cost paid by students would gradually be reduced.

Focus Funding

One of the results of Virginia's higher education restructuring is to focus available funding on the most essential activities and thereby strengthen financial viability. Among the accomplishments of the community colleges in this regard are:

- Closing 13 associate degree programs
- Reducing the credit-hour requirements of 103 transfer degree programs and 122 applied sciences (occupational/technical) degree programs. This reduces the per-student cost and opens up spaces for more students, but has been done judiciously so as to not impair quality. The annual financial benefit of these changes is estimated to be \$2.6 million.
- Reorganizing the system office to reduce positions and improve efficiency. As a result, \$1.0

million has been reallocated to direct instructional services in the colleges.

Restructuring has helped community colleges better focus their relatively limited funding compared to other states. Because of their restructuring efforts, and the limited funding for the mission and programs the state is asking the community colleges to perform, there are few remaining ways to "focus" funding. The only remaining option is to stop performing some part of the mission that the Commonwealth is asking the community colleges to perform, thereby freeing up resources to use for the remaining purposes.

Three modifications to current practice, which could be incorporated into the Virginia Community College System restructuring plan, might yield some modest benefits and were presented not as recommendations, but as ideas for the State Board for Community Colleges to consider.

The first of these relates to off-campus sites. Community colleges use over 450 off-campus sites to provide their services to the people of Virginia. Most of the sites are available at little or no cost to the colleges and are significant assets making higher education accessible to Virginians. The space is used for instruction and academic support, with parking included at some sites. The majority of the space, about 85 percent, is used for credit instruction for at least some portion of the time:

- About one-third of the sites are in local high schools;
- Slightly more than one-third of the sites are in hospitals (for instruction and related clinical experiences associated with health-care programs), other education entities (i.e. vocational-technical centers, four-year colleges, other), and local, state and federal government centers, including fire and police stations.
- Slightly less than one-third of the sites are in privately owned space (i.e., business and industry).

Approximately 10 percent of the space at all off-campus sites costs enough to require a formal written agreement, and the majority of this is leased from the private sector. Less than 5 percent of the total off-campus space involves long-term agreements or establishment of "centers." The 23 community colleges spent a total of \$1.8 million in 1995-96 to lease space. Most of the space was leased by colleges which have a space deficit based on the Council's space-need guidelines. The Virginia Community College System could adopt a policy that state general fund and tuition revenues will not be spent by a college to lease space unless the college has a corresponding space deficit based on the Council's guidelines. If such a policy had been in place in 1995-96, the system might have saved a small portion of the total of \$1.8 million that was spent to lease space.

Another possibility is systemwide purchasing contracts, including contracts to privatize services. As an entire system, the community colleges are the largest single higher-education

institution in Virginia. As such, the system could present a large and attractive opportunity for the private sector. A great deal of privatization is already done by individual colleges. The number of colleges privatizing major services is shown in Chart 6.

CHART 6 Number of Colleges Having Major Privatized Services 1996-97		
	Number of Colleges	
	Privatized	Not Privatized
Bookstores	16	7
Custodial Services	15	8
Building Maintenance & Repair	14	9
Printing	14	9
Security	10	13

Contracting as an entire system for some services might result in greater financial benefits than the current approach of each college negotiating on its own. Smaller colleges in rural areas may be able to take advantage of a systemwide contract when they would not be individually attractive to the private sector. To pursue systemwide privatization would, however, require additional management resources. The system office staff is small, and most administrative work is done at the colleges. The Governor's Competition Council could be of some assistance, but the system would require a minimum of \$100,000 to contract for an experienced person or persons to manage the project.

There is one final idea that the Council suggested be considered by Northern Virginia Community College and the State Board for Community Colleges. It could raise additional revenues to help meet the future funding needs of that particular college.

The policy of the State Board for Community Colleges is that student tuition be the same at each college. This is a reasonable policy and emphasizes that it is one statewide system. There is the potential, however, to make one exception to this policy for Northern Virginia Community College. The faculty and staff at Northern Virginia Community College are paid an 8 percent differential, and support staffs are paid a minimum 9 percent differential in recognition of the higher wage levels and cost of living in Northern Virginia. This differential is unique to the Northern Virginia region and within the system of community colleges. A differential tuition at Northern Virginia Community College of 8 percent would increase the college's revenues by about \$2.7 million each year. If implemented, the additional revenue should remain at Northern Virginia Community College, which serves about one-third of the total community college enrollment, to meet the college's specific needs. Implementation would also have to be gradual, and not begin until the state's tuition "freeze" policy ended so that Northern Virginia citizens would not be experiencing tuition increases when other Virginians were not.

At its January 9, 1997 meeting, the State Board for Community Colleges reaffirmed its position that all its colleges should charge the same tuition. The State Board believes that a tuition differential at Northern Virginia Community College would be an additional burden on the citizens of that region, and an obstacle to the further education and training of underprivileged individuals.

Economic Development

As previously noted, the Commission on the Future of Higher Education suggested that the Council of Higher Education consider devising a funding method that helps support those students “enrolled for specific training under contract with Virginia industries” in which the state has an economic interest and noted that “the community colleges are a critical and often-overlooked part of Virginia’s economic development team.”

The Virginia Community College System (VCCS) is proposing to significantly expand its services in economic development, workforce training, and related services. The system’s proposal is designed to help achieve the goals of Governor Allen’s “Opportunity Virginia” initiative. A draft of this proposal is provided as Appendix B. The proposal identifies four specific priorities and asks for additional state support to expand the community colleges’ role in economic development. The VCCS proposes to:

- Work with State Council of Higher Education to implement alternative awards, including the Commonwealth Certificate, to better serve the workforce education and training needs of business and industry.
- Establish workforce development centers at each community college which the VCCS estimates would require two full-time staff at each campus, as well as seed funding to begin providing the highest demand services required of business and industry in each community. To provide this support at all 38 community college campuses would require an estimated annual expenditure of \$4,180,000 for positions and \$2,000,000 for non-personal services operating costs.
- Establish several additional (five already exist) institutes of workforce excellence in such areas as information technology in Northern Virginia, semiconductor manufacturing in Central Virginia, and high performance manufacturing in Southside Virginia. The VCCS would work with business groups to identify the highest priority industries to assist. Each additional institute would require an annual expenditure of about \$175,000.
- Begin to phase-in state general fund support for non-credit courses provided for training workers for business and industry. The state would pay a portion yet to be determined, but not all of the costs of such training. The annual amount of state support required would depend on the portion of total cost paid by the state and the volume of training.

Virginia has never provided state support for non-credit work directly to the community colleges, as is now being proposed by the VCCS. The state does provide about \$10 million in general fund each support year to the Department of Business Assistance for employee training. These funds are restricted to supporting the workforce training needs of new or expanding businesses. They are used to help attract new business and encourage significant expansion. The Department of Business Assistance uses the funds to contract with Virginia's community colleges and other providers to pay for the appropriate training.

Because Virginia's state support for employee training is restricted to new or expanding businesses, the VCCS believes that Virginia is at a disadvantage in funding workforce development for existing businesses and industries. North Carolina, one of Virginia's primary economic development competitors, provides support for non-credit instruction at half the rate provided to credit instruction. Virginia community colleges, however, must charge business and industry the full direct and indirect costs of the training provided. Unless the full costs are recovered by fees charged to businesses and individuals, the services are not provided.

If the four priorities of the Virginia Community College System are implemented, it will be a significant enhancement of the economic development aspect of the mission of the system. It is a particularly serious consideration, because the community colleges are not well-funded for what they are doing now.

If, as a first priority, funding for the community colleges credit instruction is further improved as the Council of Higher Education has recommended, and if additional state funding is provided for economic development services, then those funds should be appropriated to the Virginia Economic Development Partnership. The Partnership would then contract with the community colleges for the services. This would help ensure that the economic development services of the colleges remain consonant with the overall economic development program of the state. The VCCS proposal for state support of non-credit courses for business and industry suggests this approach as one option. This would also be the most appropriate placement of any state support for the proposed workforce development centers which are described as "single, focused points of access for business and industry to obtain services to improve their productivity, competitiveness, and profitability."

As educational institutions in every region of the state, community colleges are excellent assets to assist in Virginia's economic development. But a decision to enhance their ability to help is, fundamentally, an economic-development decision.

Conclusions and Recommendations

The State Council of Higher Education and the State Board for Community Colleges conclude that:

- The higher education funding methods and concepts recommended by the Council and used by the General Assembly to provide funding for 1996-98 are sound.
- The General Assembly, based on the 1991 JLARC report, views the mission of the Virginia Community College System to be consistent with legislative intent.
- State support for Virginia's community colleges is inadequate from both a historical perspective and in comparison with other southeastern states.
- The additional \$41.3 million in state support appropriated by the 1996 General Assembly was badly needed and a welcome change in funding direction.
- By necessity, and through restructuring, the community colleges have focused their available funding on their most essential services.
- Because of their mission, experience, and expertise as educational institutions in every region of the state, community colleges are excellent assets to provide workforce training and other services to assist economic development. Compared to some states, their services are currently limited because state support is not provided.
- Expansion of the community colleges' role in workforce training and related economic services is primarily an economic-development decision.

Based on these conclusions, the State Council of Higher Education and the State Board for Community Colleges recommend that:

- As a first priority, the 1997 General Assembly provide additional funding of \$3.0 million to increase community college faculty salaries by 5 percent in 1997-98, and \$1.9 million for the 1997-98 salaries and benefits of a base staff adjustment requested by the Community College System and recommended by the Council of Higher Education.
- The General Assembly continue to improve state support for community colleges to fulfill the intent expressed in the Appropriation Act "that funding for Virginia's public colleges and universities shall be based primarily on criteria such as staffing comparisons to similar institutions nationally; student financial aid that meets 50 percent of student need after all other sources of aid have been considered; and such other criteria as may be recommended by the State Council of Higher Education." Needed improvements include competitive faculty salaries, technological equipment and related operating expenses, keeping tuition

affordable, a higher proportion of full-time faculty, and maintenance reserve funding for worn out roofs and mechanical systems.

Both the State Board and the Council recognize that the state's ability to provide additional general fund support is finite and that needs will have to be placed in priority order. Both bodies are prepared to do this in their future budget requests and recommendations.

- The State Board for Community Colleges be appropriated an additional \$100,000 to develop appropriate system-wide contracts, including the privatization of some college services.
- The General Assembly's first funding priority for community colleges should be to improve state support for credit instruction. That being accomplished however, the General Assembly could then support the VCCS in its initiative to expand its workforce training services and should ask the state's economic development leaders for their advice on how this would help Virginia compete. Assuming a positive response, a good initial step would be to appropriate \$500,000 to the Virginia Economic Development Partnership for a pilot program of state support for non-credit training courses under industry contracts. This state support would be available to help existing businesses that are not necessarily new or expanding to obtain education, training and retraining services.
- No change be made to the current policy that no state support is provided for students in non-credit avocational or recreational courses.

APPENDIXES

Appendix A

HOUSE JOINT RESOLUTION NO. 119

Requesting the State Council of Higher Education for Virginia and the State Board for Community Colleges to examine ways to strengthen and focus funding for the Virginia Community College System.

Agreed to by the House of Delegates, February 8, 1996

Agreed to by the Senate, February 29, 1996

WHEREAS, the Commonwealth boasts a system of higher education that includes 39 state-supported colleges and universities, 40 independent institutions, and 23 community colleges; and

WHEREAS, the Commonwealth's community colleges provide multiple educational opportunities for citizens across the state, offering a variety of associate degree programs, worker training, and continuing education programs; and

WHEREAS, the comprehensive missions of Virginia's community colleges encompass not only education but also economic and community development; and

WHEREAS, the Commonwealth's community colleges merit financial support that not only ensures continued quality but also acknowledges the diverse student populations and programs that characterize these institutions; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That the State Council of Higher Education for Virginia and the State Board for Community Colleges be requested to examine ways to strengthen and focus funding for the Virginia Community College System. The Council and the Board shall consider the unique missions, student populations, and programs offered by the community colleges.

The Council and the Board shall complete their work in time to submit their findings and recommendations to the Governor and the 1997 Session of the General Assembly as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents.

Appendix B

SENATE JOINT RESOLUTION NO. 43

Requesting the State Council of Higher Education for Virginia and the State Board for Community Colleges to examine ways to strengthen and focus funding for the Virginia Community College System.

Agreed to by the Senate, February 9, 1996

Agreed to by the House of Delegates, February 23, 1996

WHEREAS, the Commonwealth boasts a system of higher education that includes 39 state-supported colleges and universities, 40 independent institutions, and 23 community colleges; and

WHEREAS, the Commonwealth's community colleges provide multiple educational opportunities for citizens across the state, offering a variety of associate degree programs, worker training, and continuing education programs; and

WHEREAS, the comprehensive missions of Virginia's community colleges encompass not only education but also economic and community development; and

WHEREAS, the Commonwealth's community colleges merit financial support that not only ensures continued quality but also acknowledges the diverse student populations and programs that characterize these institutions; now, therefore, be it

RESOLVED by the Senate, the House of Delegates concurring, That the State Council of Higher Education for Virginia and the State Board for Community Colleges be requested to examine ways to strengthen and focus funding for the Virginia Community College System. The Council and the Board shall consider the unique missions, student populations, and programs offered by the community colleges.

The Council and the Board shall complete their work in time to submit their findings and recommendations to the Governor and the 1997 Session of the General Assembly as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents.

